

# **Capital Area District Library**

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**Report to the Board**

**December 31, 2003**

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**Report to the Board**

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To the Board Members  
Capital Area District Library

We recently completed our audit of the December 31, 2003 financial statements of Capital Area District Library. In addition to our report on the financial statements, we would like to present the matters outlined in this report as potential opportunities for improvements to the internal controls and efficiency of your Organization. Also included are informational items relevant to the Library.

We are grateful for the opportunity to be of service to the Capital Area District Library. Should you have any questions regarding the implementations of these comments, please do not hesitate to call.

*Plante & Moran, PLLC*

February 16, 2004

# **Capital Area District Library**

## **Recommendations & Informational Comments**

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### **Accrued Benefits**

The Library outsources its payroll function to Paychex and included in this service is the tracking of the benefit accruals. The Library's adopted policy states that the maximum vacation time an employee of the Library can accumulate cannot exceed 160 hours. During our testing of accrued vacation at December 31, 2003, we noted that one employee had accumulated hours which exceeded this maximum allowed limit.

We recommend that management review payroll reports on a periodic basis to ensure that the benefit accruals are correctly accumulated and relieved within the required limits.

### **Accounting Software Upgrade**

It is our understanding that the Library will be updating its accounting software in the near future. Some system limitations in the accounting software were noted while performing our audits this year as well as in prior years and we recommend that the Library consider these as they work to upgrade their current software:

- The software should have the capability to record the 13<sup>th</sup> period of the year. This will ensure that income and expenses post to the proper fiscal year, and, as a result, reversal of activity involving a separate fiscal year can be avoided.
- It would be beneficial if the software has the capabilities to inter-face with the materials management software. This will allow the Finance Department to monitor the budgeted versus actual activity on a real time basis as well as allow for easier recording of the materials payable accruals.

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## **Recommendations & Informational Comments**

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### **Reporting Works of Art and Historical Treasures**

Works of art and historical treasures should be capitalized unless they meet all of the following conditions:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain
- Protected, kept unencumbered, cared for, and preserved
- Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections

During the year ended December 31, 2003, the Library implemented GASB Number 34 and determined that the works of art and historical treasures held by the Library would not be capitalized since they met each of the three conditions mentioned above. We recommend that the Library adopt a formal policy that states these facts.

### **New Method for Filing Financial Statements with the Michigan Department of Treasury**

Effective immediately, all financial statements, single audits, management letters, and M-10's should be mailed to the Michigan Department of Treasury on CD's rather than in printed form. This is being done to comply with a request by the State to help them reduce their paperwork. Plante & Moran, PLLC will comply with this request and submit the Library's required information on CD prior to the six month filing deadline.